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## BUDGET SPEECH,

DELIVERED IN THE HOUSE OF COMMONS OF CANADA,

ON TUESDAY, THE 1<sup>ST</sup> APRIL, 1873,

BY

THE HON. S. L. TILLEY, C. B.,

MINISTER OF FINANCE.

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Hon. Mr. TILLEY said: Mr. Speaker.—The course that I propose to take is to make my statement while you, Sir, are in the chair, and I think that course was suggested and approved by leading members of the Opposition last year, when my predecessor made his last statement.

Perhaps I shall be permitted in the first place, before entering upon the statement which I am now about to submit, to offer a few personal remarks. I may say with truth that there is not an honorable member on the floor of the House, who regrets more sincerely than I do, that the statement which I am about to submit to you, is not to be submitted by the distinguished and venerable statesman who had that privilege for the last three years. The Leader of the Government, my colleagues, and my predecessor himself, know right well that, when he intimated to the Government and to me his intention to retire from public life, everything that I could say, and every argument that I could present, to induce him to remain with us, was made use of. I did so for two reasons, first, because I felt that it was in the interest of the country that he should retain his position in the administration of its finances, as he had been most successful, securing the confidence of the people of the country, and of a large proportion of the members of this House. (Cheers.) Secondly, from a personal and less pertinent reason. I felt that it was desirable that he should continue to occupy the position of Finance Minister because, if he retired from that position, the burden would fall upon

my shoulders, which I felt were less able to bear it, and I felt also that I could less ably advocate the views and opinions of the Government in Parliament.

I felt also that following so able a statesman, and at so short a notice, I was placed in a very unfavorable position compared with that which I might have occupied under other circumstances.

For these reasons, therefore, I did all I possibly could to induce him to remain, and it was only when I was told that he had been informed by his medical advisers that, unless he retired from active public life, the years of his life would be shortened, that I ceased to further urge upon him the arguments that I had made use of.

Leaving this point, I will now turn to the grave questions which it is my duty to present to the House to-day. It is usual on these occasions to take into consideration a period of three years; the preceding year, the current year, and the year that is to come. I desire, however, to-day, to extend my enquiries farther than has been customary, and to go over the first five years of confederation. I do so because there are in the House a good many new members—fully a third of the faces which I see being new faces—who have not had an opportunity of looking into and investigating the condition of the affairs of the Dominion during the last five years, and because, also, there are many old members who have not had the same opportunity as members of the Government and leading members of the Opposition have had, of enquiring into and investigating the financial condition of the Dominion during that period. I do so, sir, because whatever may be said on this subject outside of Parliament, through the press, by the Government or by the leaders of the Opposition, with reference to our financial condition in the past, still there may be some question as to the correctness or accuracy of these statements so put forth, as it may naturally be considered that from whatever side these statements were made, the gentleman or the press who made them were influenced by party motives. But here, sir, on the floor of this House, in the presence of the leaders of the Opposition, who have all the facts and figures before them and who are perfectly cognizant of all those facts, I feel that the statements made

here cannot be gainsay, and that the country will therefore be in a position to accept these statements as trustworthy and to be depended upon.

Looking at the history of the country during the last five years, in reference to its trade and commerce, its navigation, its banking institutions, its tonnage and its exports and imports, I find that from every aspect in which I view it, I rise from the inquiry feeling the greatest possible encouragement, not only with reference to the past but with reference to the present and to the future. (Loud cheers.)

And now, with regard to the last five years, let me call the attention of the House to a few facts which are calculated to show the material progress of the Dominion during that period. First, let me draw your attention to the marvellous and wonderful increase in the capital invested in the banking institutions of the country during that period; and next to the extraordinary increase in the deposits in the banks of the Dominion. Nothing could show more satisfactorily the increase in the wealth of our people than the facts to which I am about to direct attention. Let me first refer to the paid up capital of the Banks for 1867, and as I do not desire to weary the House, I will not give the figures for the intermediate period. The paid up capital of the banks in February, 1867, was \$28,692,980; and at the same period in 1873, it was \$49,189,969; the deposits in 1867 were \$26,103,004; and in 1873, \$59,560,003; thus showing a net increase in the ordinary banks of the country, including Savings Banks, of nearly \$37,000,000 within the space of five years; and an increase of paid up capital of the banks in Ontario and Quebec alone, (the banks in the other Provinces not being included, as some of them have not sent in their returns) of \$20,497,000.

This fact at once shows the wonderful progress of the Dominion, but I desire also to call attention to the steady progress made in the value of the imports and the exports of the Dominion since the commencement of the Union. In 1868, the exports were \$57,567,888; in 1869, \$60,474,781; in 1870, \$73,573,490; in 1871, \$74,173,618; in 1872, \$82,639,663; and in the first half of the current year, \$53,488,968. Now we come to the value of goods entered for consumption during the same period. I take the goods entered for

consumption, as the value of goods imported is not an accurate test. The value of the goods entered for consumption in 1868 was \$71,985,306, and in 1869, \$67,402,170. This shows a decrease of four million dollars and upwards, and I may perhaps be allowed to pause and explain the cause. During the first year of Confederation different rates of duty prevailed in the different Provinces, and it was, of course, natural that all those who had goods in bond, and who were not at all certain of the taxation which Parliament would impose—in anticipation of an increased rate of taxation, should withdraw from bond a larger amount of goods than they required for actual consumption, and thus the revenue of the first year was increased at the expense of the second. In 1870 the value of goods entered for consumption was \$71,237,603; in 1871, \$86,947,482; in 1872, \$107,709,116, and for the first half of the current year, \$72,841,668. Thus making the exports and imports for the first half of the current year \$126,330,636, as against \$129,553,194 for the whole of the first year of Confederation, or a difference of about \$3,000,000. This is another evidence of the steady and progressive prosperity of the country.

We now come to another statement, and I desire to make it here, though I shall refer to it again at a later period. I would call attention to the rate of duties collected during the first years of the union. The percentage in 1867, on goods entered for consumption, was twelve and twenty-five hundredths, which was increased in the next year to twelve and thirty-one hundredths. In the third year, when Parliament again imposed additional duties, it was increased to thirteen and twenty-eight hundredths, and in the next year, it was raised to thirteen and sixty-two hundredths. In the following year, however, it went down to twelve and eleven hundredths; and for the first half of the current year, on \$72,841,668, of goods entered for consumption, the revenue was \$6,903,010, or nine and forty-seven hundredths per cent. This has arisen from the reduction of taxation which took place in 1871, and from the still further reduction occasioned last year by the withdrawal of the duties on tea and coffee. These are some of the facts which speak of the progress and prosperity of the country.

I would now, for a few moments, call your attention to the financial position of the Dominion. I have no doubt that every honourable member who has examined the public accounts, will have read the statements shewing the debt of the Dominion, and the expenditures on capital account, with the greatest satisfaction, for they shew that during the last five years there has been paid out of surplus revenue, over and above the ordinary charges on the consolidated revenue fund, and contributed towards the construction of public works that were chargeable to capital, a sum of \$9,522,022.

I will now state the whole increase in the public debt since 1867. In 1867 the net debt was \$75,728,641, and in 1872 it was \$82,187,072, making a net increase of the debt \$6,458,431. Now, sir, what have we had in return for this increase. We find that the increase of the debt of the Dominion is just the same as the increase in population during the period mentioned, and no more; that the net debt in 1872, as compared with the population shown by the census returns, is just the same in proportion to the population as it was in 1867. And, what have we done in that period? We have expended half the money necessary for the construction of the Intercolonial Railway, and half of that great work has been completed. We have purchased the North West Territory, for which we paid three hundred thousand pounds sterling, and we have paid another three hundred thousand pounds sterling for opening up the country and establishing a Government; (cheers) we have expended a million and a half of dollars for public works chargeable against capital—works that it was understood by this House should be chargeable against capital; we have expended \$480,000 for the survey of the Pacific Railway, which, however, will be paid back by the company out of its subsidy, and, we have assumed the debt of the Province of British Columbia, amounting to \$1,666,200; and this is represented by a population equal in proportion to the populations with which the other provinces came into the Dominion. But after doing all this, after we have half constructed the Intercolonial Railway, spent three hundred thousand pounds sterling for the purchase of the North West, another three hundred thousand pounds for the establishment of Government there; a million and a half of dollars on public works chargeable to capital; \$480,000 for

the Pacific Railway, and assumed the debt of British Columbia, the debt of the Dominion to-day is not one cent greater in proportion to the population than it was five years ago. (Cheers.)

The interest may be stated in precisely the same way. The interest is just about the same as in 1867, being one dollar and twenty-two cents per head of the population. And now, let us see what has been done during the existence of this state of things; and here let me call the attention of the House to one or two extraordinary expenditures during that period. We had two Fenian raids, which cost us a very large sum of money; three or four hundred thousand dollars were expended in taking the census; but notwithstanding these extra expenditures, the net surplus was over nine millions and a half. Let us see what the taxation of the people has been. I wish here to call the attention of the House to the fact that the taxation to which I refer is for customs, excise, and stamps. I do not include the revenue from the post office and from railroads, because if any of the people were travelling on the Great Western or the Grand Trunk they would expect to pay for their passages, and so would people who travelled on the Government railways, I therefore say that the taxation is comprised of customs, excise and stamp duties. These amounted in the five years to \$69,937,057 which would give an average taxation of \$13,987,411 per annum, or a tax of \$4.09 per head upon the whole population. And here I may say, and I appeal to my hon. friends opposite, who have had a great deal more experience than I have, because they sat in the old Parliament of Canada before the Maritime Provinces were represented here, that under the head of capital in former days, and during the first one or two years of Confederation, many items were charged against capital which have since been taken from capital account and charged against income, whereas we now find that there are very few items except those for the enlargement of our canals and the construction of railways, which are not now charged against income, but yet, notwithstanding this, when we deduct the surplus, we find that the whole expenditure for the past five years averaged only \$3.54 per head of the population of this Dominion, and here I may mention, and I do not think that hon. members can gainsay the fact, no matter how much some of them may have

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differed as to the nature of the taxation, or its distribution, that so far as the people are concerned it has not been felt as generally oppressive. Let us for a moment consider the experience of the past. While we have had an average tariff of 12½ per cent during the five years, we have paid all interest and expenditures properly chargeable to income, besides large sums for lighthouses, improvement of navigation and other public works, and \$1,800,000 as a sinking fund, towards redemption of the debt, out of income, and have had left a sum over and above which would have enabled the Government to pay interest on a debt of thirty millions more than it now has.

I now wish to make one or two observations in respect to the receipts and expenditures of the last year. In the statement made by my predecessor on the 30th of April last it was estimated that the revenue from customs would be \$12,500,000, and various other estimates were made in reference to excise, post office and public works. I hold in my hand a statement of the net receipts from customs, excise and stamps, which shows that instead of the estimated 12½ millions the revenue from customs reached \$12,787,982, and this I wish it to be remembered was after a refund of \$200,000, on tea and coffee, had been made under the authority of Parliament, and the revenue from excise was \$4,735,651. This is a very considerable increase, and may be explained in this way. In April last it was supposed that an additional excise duty would be imposed, and just before the financial statement was made by my predecessor, a large quantity of excisable goods was taken out of bond, and therefore a large amount of revenue was gained last year which this year has been lost. We then come to public works, which realized \$11,729 over the estimate; and there was an excess from the post office of \$92,374; and from miscellaneous \$95,157; there was, however, a deficiency in the stamp duties of \$8,081, making a total excess over and above the estimate of \$664,813. We find also that while there was an excess of revenue the expenditure did not come up to the estimates. This has been the case every year. In public works there has always been an excess of estimate over expenditure, and last year it amounted to \$654,852. All these estimates are made sufficiently large to cover all that can be required, and then delays very frequently occur in obtaining the titles of

lands on which public buildings are to be erected, and there is generally an amount under that item which it is found impossible to expend within the time.

Now, I wish to call the attention of the House to a few more particulars in which there has been a reduction. Under the head of Civil Government there has been a reduction of \$25,492. I know that there is a general impression throughout the country that the Government has been extravagant, in reference to expenditure under this head, but I think if there is one expenditure more than another, that the Government can well defend it is this item of Civil Service. I recently asked the Auditor to prepare me a statement of the increase during the five years under this head, charging against 1867-68, several expenditures that were not formerly charged against the Civil Service. For instance in the department of Public Works, several engineers were employed in outside service, and the works to which they were attached were charged with their services. These, however, are now charged to the Department. Then, again the Adjutant General's branch of the Militia Department in 1867, was charged against militia expenditures, whereas it is now charged to the Civil Service. At that time a system prevailed in the Post Office service, by which large amounts of printing were obtained and were executed under the direction of the different Postmasters throughout the Dominion, while under existing arrangements, a very large portion of the blank forms and returns is printed by the contractor, and the accounts appear in the contingencies of the department. Then there are the new departments—the Queen's Printer's and the Stationery Department, both of which branches, although adding to the expenses of the Civil Service list have been instrumental in saving large sums of money to the country. And let me say in addition that under the Post Office Department we have been establishing a system of savings banks in all parts of the country involving the receipt of three or four millions of dollars, and requiring additional clerks in the Department here, and additional post offices all over the country. Taking all these things into consideration and deducting the salaries of the new Governors for the two new Provinces established since 1867; and notwithstanding the increased work of the Post Office Department, which alone had increased the expen-

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diture by \$27,000 a year, the difference between the expenditure under the Civil Service in 1867 and 1872, is but \$11,000. How has this been accomplished? The fact that under the Civil Service Act \$50 a year was added to the salaries of the clerks would alone bring the sum up to the present amount, but by the reduction made in the contingent expenses of the Departments the sum has been reduced by an amount equivalent to the addition to the salaries of the clerks. Then there have been also the following reductions:

Justice .....	.....	\$13,153
Penitentiaries.....	.....	89,520
Legislation .....	.....	23,500
Militia.....	.....	95,333
Fisheries.....	.....	25,331
Light and Coast Service.....	.....	14,189
Public Works.....	.....	654,852

(Many of these works are carried over into the current year, and make the expenditure heavier than it would otherwise be.)

Miscellaneous.....	.....	\$167,354
Customs.....	.....	13,666
Excise .....	.....	57,367
Public Works, Railways and Canals.....	.....	83,703

On the other side there was an increased expenditure last year on account of the subsidies to the new Provinces, British Columbia and Manitoba, which the House will recollect; and there were also the increased subsidies under the new census, to Nova Scotia and New Brunswick, none of which were contained in the statement of my honourable friend last year and had to be added to the estimates then submitted. Then there was an increase in the charges of the year of \$199,704, for the management of the debt. I may say that this arose from the fact that the Bank of Montreal had nearly two years' payment in that year, under the old arrangement; and there was a large expenditure for engraving, striking off and publishing of the Dominion notes under the Act of my predecessor. And then there were the payments to superannuated officers, amounting to \$38,842. But, notwithstanding the refunding of the

\$200,000 on tea and coffee, the Revenue last year amounted to \$20,714,813 against an expenditure of \$17,589,468, leaving a surplus of \$3,125,845, or, adding a sinking fund of \$470,-606, a total surplus of \$3,595,951.

I come now to a more interesting point, perhaps, and that is to the operations of the present year. It will be remembered when my predecessor made his statement last year, he estimated the income at about \$20,635,000, and the expenditure at about \$19,630,000, leaving a balance of \$1,000,000. But he remarked, and very properly, that on that occasion as on all others, supplementary estimates would be brought down, and when that supplementary estimate was brought down, it was found that the sum voted by Parliament at the close of the session against income was \$400,000, making the total estimated expenditure, \$20,030,000, as against an estimated income of \$20,635,000. I recollect that when my predecessor subsequently came to Parliament and asked that resolutions should pass for the reduction of the duty on tea and coffee, Congress having decided upon the removal of the duty on these articles, it was stated by hon. gentlemen opposite that we were simply following the American example. (Hear, hear, from Mr. Holton.) But we must necessarily, in dealing with the question of tariffs, have some reference to the laws of the neighbouring Republic, in order to arrange wisely for the purpose of securing a revenue and preventing illicit trade. (Hear, hear.) When my hon. friend brought in those resolutions, he stated that if they were carried there might be a deficiency of something like \$600,000, because the revenue obtained in 1870-71 on tea and coffee was nearly \$1,200,000. He then added that the expenditure might not reach the estimate, but still, for various reasons, he did not feel himself justified in asking for the imposition of any additional duties until they had the experience of at least nine months, and until Parliament met again, in order to ascertain whether or not additional duties would be necessary. What is the position in which we find matters to-day? We find that in all probability, notwithstanding the reduction or the removal of the duty on tea and coffee, which amounted in 1870-71 to \$1,200,000, there is every prospect that the revenue from Customs will reach, at the close of this year, the sum estimated by my predecessor before that duty was removed. (Cheers.) In

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the estimate that is made of the duty that will be derived from customs this year, we place the amount at \$12,500,000, just the sum at which my predecessor estimated it before the duty was removed. Let us see whether we are warranted in this conclusion. The receipts up to to-day from customs are \$9,400,000, add one third to that, viz., \$3,133,333 for the remaining three months, and they are the three best months of the year, and it amounts to \$12,533,333. I think we are, therefore, safe in estimating the revenue from customs at twelve and a half millions. The revenue from excise was estimated at \$4,625,000, we now suppose we will receive \$4,550,000, a reduction in the estimate arising from the cause to which I have referred, that in the previous year a very large amount of duties (about \$200,000) on goods taken out of bond in expectation of an increase of duty, went to the credit of the previous year, and reduced the amount of the current year. Up to the present time we have received \$3,358,000, add one third for three months yet to come, and we have \$4,476,666. We then come to the Post Office, and find that our estimate was \$700,000. The revenue up to the present date is \$546,000, add one-third and it will make \$728,000, still the Department estimate it at \$720,000 for the current year. Then for Railroads, Canals and Public Works, the estimate last year was \$1,610,000, and probable receipts \$1,400,000 or \$200,000 less than the estimate.

Hon. Mr. MACKENZIE—Are these gross receipts?

Hon. Mr. TILLEY—They are. The difference arose from the fact that a sum was asked for in connection with these works supposing that the Intercolonial Railway would be open earlier, and, of course, the income was calculated on the same basis. While the receipts were less the expenditure would be less.

But sir, the result is that notwithstanding the statement of my honorable predecessor, that there might be a deficiency, supposing the whole expenditure took place for public works of \$600,000, it is found that, notwithstanding the supplementary estimate now before the House, covering an expenditure against income of \$200,000, that the expenditure for all purposes during the year will reach \$19,600,000, and instead of leaving a deficiency, after the

reduced expenditure of \$165,000 for the current year, it is estimated that the surplus will be \$765,000. (Hear hear.)

I may say that in the estimated reduction of the expenditure, there are two or three items by which that reduction is covered, and two of these have been carried over in the estimates of the next year. There will be a reduction of \$400,000 for public works, then the Militia expenditure will be \$93,000 short of what was voted, and in the Census Department, the expenditure will be \$130,000 less than the sum voted; these reductions bring the expenditure down to the sum named—\$19,600,000.

We now come to the expenditure of the coming year. It will be seen by the estimates that it is proposed to ask the House for a total expenditure of \$31,008,423.

Hon. Mr. HOLTON—Does that include the amount authorized by statute?

Hon. Mr. TILLEY—It includes the expenditures authorized by statute for construction of public works and all other charges. Of this sum \$9,974,240 will be chargeable to capital; railroads (Intercolonial), \$4,335,240; canals, \$5,277,000; public buildings, including the library and grounds, \$362,000; making a total of \$9,974,240; also deduct from this expenditure \$93,000 in payment of debt; this leaves to be provided for during the coming year, out of income, \$20,941,183.

This is in excess of last year, which was, as I have stated, \$19,600,000, and is increased in part in the following manner: Interest on debt, \$404,398, Intercolonial loan, which will have to be put in the market for the completion of that Railway. Then we have added to the expenditure, under the head of Geological Survey, Meteorological Observatories, &c., \$26,792. This latter is for the purpose of providing that most important information for all parties who are concerned in the navigation of the Dominion. (Hear, hear.) Last year the Minister of Marine and Fisheries brought this matter up, and the Government feeling the great importance of the subject, asked Parliament for a vote of \$10,000, but that sum was found inadequate. The Government have in the past five years expended large sums

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of money for the construction of lighthouses and improving the navigation generally, thus reducing insurance and increasing the value of property shipped from this country, and following out the same policy, they will ask the House for an additional appropriation of \$26,792 for this service for next year.

Then we come to Penitentiaries. Under this head there will be found an increase of \$91,672. This is principally connected with the expenditure for the new Penitentiary in the Province of Quebec, in the erection of buildings, salaries, &c., Under the head "Miscellaneous," there is an increase of \$111,736. Now under this head there will be found this year \$144,000 in payment of the third instalment to the Imperial Government for arms and ammunition purchased from them at the time the troops, or a large portion of them, were removed from Canada. That appeared under the head of Militia formerly, but is now under "Miscellaneous." There is also an increase in the boundary survey. Last year the appropriation was \$50,000, and from the report of the officers in charge, it is now estimated that \$120,000 will be required for next year.

I will now refer to the expense for the maintenance of Public Works. In this there is an increase of \$588,669, being principally in the maintenance of the Railways and Canals—a small portion of it, increase of wages and salaries to officers in connection with the canals and railways, but the greater part of it is owing to the extended mileage to be opened for traffic on the Intercolonial Railway, and the payment of the running expenses, salaries of officers, &c.

Then in the Post Office, we find an increase of \$304,000, and I desire to make a few observations on this item. A system has prevailed up to the present time, with reference to the mode of dealing with the Post Office Department, varying from that of all other departments of the service. In the other departments the monies received have been deposited to the credit of the Receiver General. Not so with the Post Office Department. In the Post Offices in Toronto, London, Montreal, Quebec, and, until last year, the Post Offices in Halifax and St. John, they collected the revenue, paid the postmasters and officers out of it, and simply remitted the balance. It has been considered desirable, inas-

much as at this time, these postmasters have large powers under the money order system, that they should remit their receipts daily. It has been considered desirable in the interests of the public, and the interests of the officers themselves, that this course should be taken. It is but right that this Department should be placed on precisely the same footing as all the other Departments, and this increase, to a very great extent, or upwards of \$200,000 of it, arise from the necessity of paying the salaries of postmasters and clerks at Toronto, London, Montreal, and other large post offices; therefore the increase is more nominal than real, and the estimated revenue of the post offices will of course be increased in about the same proportion. Looking at the progress that has been made, the work that is performed, and the facilities given to the public, in connection with this department, the increased expenditure for that service appears to be fully justified. I hold in my hand a statement by the Postmaster General, showing the wonderful increase in the business during the last five years:

	1868.	1869.	1870.	1871.	1872.
No. of Post Offices..	3,638	3,756	3,820	3,943	4,135
Miles annually tra- velled by mail.....	10,622,216	11,261,897	11,695,726	11,992,898	12,548,389
No. of letters by post in the year.....	18,100,000	21,920,000	24,500,000	27,050,000	30,600,000
No. of newspapers by post in the year... 18,860,000	18,700,000	20,150,000	22,250,000	24,250,000	
No. of registered let- ters posted in the year .....	704,000	850,000	1,000,000	1,100,000	1,277,000
Amount of postal re- venue .....	\$1,924,710	\$8,973,056	\$1,010,767	\$1,079,767	\$1,193,062
Amount of Expen- ditures .....	\$1,053,570	\$1,079,828	\$1,155,261	\$1,271,006	\$1,369,163
Amount of Money Order issues.....	\$3,342,574	\$3,551,552	\$3,898,747	\$4,537,902	\$5,123,551
Amount of Post Office Savings Banks of Ontario and Quebec.....					
	\$856,814	\$1,588,848	\$2,497,259	\$3,096,500	

large powers should remit desirable in the officers. It is but on precisely its, and this of \$200,000 the salaries of Montreal, and case is more of the post the same pro- m ade, the given to the increased fully justified. ter General, s during the

Now, I come to some of the proposed reductions of next year. Under the head of Ocean and River Steam Service will be found a sum of \$90,516. This is under the new contract with Sir Hugh Allan. After conversation with the Postmaster General on this subject, I think I am justified in saying that it is hoped that in a very short time the receipts from that service will be equal to, if not in excess of the sum which it is proposed to pay under the contract. (Cheers.) There has been a considerable increase in the last year or two in the number of the letters transmitted by that line, and it has arisen from the fact that the steamers of the Cunard Line do not now carry the mails, and the other steamers sailing to and from United States ports, carrying mails, do not make the passage as rapidly as those of the Allan Line. (Hear, hear.) The result is that parties in Europe communicating with Western States select the Allan Line as their letters reach their destination by that line earlier than by any other.

	1872.
,943	4,135
,898	12,548,389
,000	30,600,000
,000	24,250,000
,000	1,277,000
,767	\$1,193,062
,006	\$1,369,163
,902	\$5,123,551
,259	\$3,096,500

And now with reference to the Militia Department. It will appear by the estimates before the House as if there would be a reduction of \$653,887, as compared with the estimates of the current year, but fairly there should be placed against that \$144,000 that was before charged against Militia, being the third instalment for arms to which I have referred, as now chargeable under the head of "Miscellaneous." There should also be deducted from it \$93,000, which it is estimated will not be expended this year. The difference therefore will be about \$426,000 of a reduction in the expenditure under the head of Militia. Then with reference to the Fisheries, there is a reduction of \$61,900 under this head. This was an expenditure in the current year for the support of the marine police, and of the vessels that were to look after and protect our fisheries from the encroachment of American fishing vessels, and no longer required under the Washington Treaty arrangement.

Now, the question arises, how is the Government to obtain the means of paying for this increased expenditure. It was intimated last session, that after having made a reduction of \$1,200,000 of duties, the Government would probably have to ask the House this session for increased taxation in some direction. And I can quite understand, sir, that hon. members and the country generally would

not be disappointed if the Government were to declare on the present occasion that such was their intention; but after having surveyed the whole matter carefully, and looked into it with a most rigid scrutiny, they have arrived at the conclusion that it is not wise nor is it necessary to ask Parliament this session to impose any additional taxation. (Loud cheers.)

I know it may be asked, are the Government not prepared to make some readjustment of the tariff, and my answer is, that the Government will not, during the present session propose to touch the tariff in any particular. (Loud cheers.) There are, I admit, some few interests in the country, in relation to which if the tariff were opened at all, the Government would feel justified in asking, and would feel it their duty to ask for some readjustment, but under the peculiar circumstances in which we are placed, and with the certainty almost, looking at the increased expenditure of the next year, that some readjustment must take place next session, the Government have concluded to make no present change, inasmuch as they believe that they will have means amply sufficient to meet all the requirements of the country. (Cheers.) Their desire is to tamper with the tariff as little as possible unless some radical changes are found necessary, in order that the people of the country may understand that it has a real permanency of character. Now, let us see whether or not we are justified in arriving at the conclusions at which we have arrived as to the means at our disposal being ample for the public service. It is estimated that the revenue from customs during the ensuing year will be \$12,500,000. I know that honorable gentlemen opposite may say your estimate is excessive, as it is supposed that during the past autumn the imports were largely in excess of what they ought to have been; and that there are now lying on the shelves of the warehouses, goods unsold and unconsumed, that will come into competition and take the place of others, that under different circumstances would be imported in the following season. But after a most careful examination of the whole matter I have arrived at a different conclusion and though I admit, the excessive importation during the past autumn, I believe there is no good ground for uneasiness in connection with this matter. Let us for a moment look back to the history of the past five or six

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years and it will be found that during the first five years of Confederation there appears to have been an excess of imports over and above exports of \$60,000,000 or \$12,000,000 a year. I know it is very natural for persons looking at this subject cursorily to suppose that this cannot but lead to financial embarrassment, but let us examine into the matter. Here we have something like \$12,000,000 a year excess of imports over exports. Add to that the interest on the debt of the Dominion payable in London, \$4,000,000 more, and we have \$16,000,000 a year to be provided for which our exports do not appear to cover. But if we look into the matter more carefully we will arrive at the conclusion, and the just conclusion, that there are no good grounds for apprehension. Of course the matters can only be approximately estimated, but I have taken some pains in the matter and taking one city in the Dominion as an illustration, I find that in the case of the City of St. John, the city I have the honor of representing in this House, from a very careful examination made by the President of the Board of Trade it appears that the return freights from that city amount to \$2,000,000 a year, and if that be the case in the city of St. John, we may fairly estimate that from \$5,000,000 to \$6,000,000 of profit from freights are received every year, by which the surplus as between imports and exports is very materially reduced. If we go further and take into consideration the expenses incurred in the shipping of the produce of the Dominion, which amounts to \$70,000,000 or \$80,000,000 a year, for which disbursements bills of exchange are drawn, we shall find that these two items alone are sufficient to make up the difference.

Let us now come to the question as to whether our estimate of \$12,500,000 from Customs duties is likely to be realized or not. Our estimate for the present year is \$12,500,000 and why should we not have as much in the ensuing year? I have in my hand the returns of revenue collected for the first eight months of the current year, and I have examined it very carefully to ascertain whether we can gather from it that there was an excessive importation last year, upon which duty has already been paid, and that any considerable portion of these goods have not been sold, and are still unconsumed, and what do I find: I find a reduction of \$824,757, during the eight months, \$751,702 of which was on tea and coffee. On the other side I find a

total increase of \$932,988, shewing a net increase of \$108,231. What are the items on which this increase has occurred? The increased amount on silk and satins, on jewellery and on other articles coming under the fifteen per cent head, is \$370,000. This increase is not in excess of the increase on other goods, only taken out of bond when required for consumption.

**Mr. MACKENZIE**—Has the hon. gentleman a statement for the last two months as compared with the same two months of the last year.

**Hon. Mr. TILLEY**—Yes, I have, and to my surprise it shows an increase. I fully expect that in the next three months there will be a reduction, and my estimate has been made upon that expectation.

**Hon. Mr. MACKENZIE**—I meant February and March.

**Hon. Mr. TILLEY**—Yes, and I was surprised to find an increase. We have an increase on the amount of sugar entered for consumption of over \$370,000 in the eight months I have mentioned as compared with the previous corresponding eight months. I desire to call the attention of the House to this fact, because it is very important and significant, as we all know perfectly well as previously stated, that merchants dealing in sugar and spirits on a large scale do not pay duty unless these articles are required for consumption. On fancy goods the duty, as a rule, is paid when imported, but this is not the case with sugar.

**Hon. Mr. MACKENZIE**—It is when for the refinery.

**Hon. Mr. TILLEY**—That may be, but this is to a large extent refined sugar imported. Then we come to the duty paid on brandy, wines and spirits, and here we find an increase of \$72,000, and these articles also are not taken out unless for consumption. Then we find on goods paying fifteen per cent an increase of \$386,000, while the increase on sugar and wines and spirits amounts to \$450,000, and from this I think we may fairly infer that there is a steady and very important increase in the consumption of every description of article of consumption in the country, and that

the importations, though they may be less on a few articles, will altogether fully equal what they have been hitherto, so that we may fairly expect from Customs an amount equal to that received in the present year.

We now come to the item of Excise, and it is estimated by the Department that the revenue will be \$475,000, a little in excess of the estimate of the present year, because there has this year been a loss for the reasons to which I have already referred. From stamps I expect \$195,000; from Post Office \$720,000 up to \$970,000; arising in the manner I have described; from Railroads, Canals, Dawson Route, and all the other Public Works, \$2,250,000, which is only \$150,000 or \$160,000 more than the estimated expenditure for those works. Thus while we have added to the proposed expenditure \$583,000; there is also a considerable increase in the estimated income, and it may be that the whole of estimated expenditure may not be necessary. \$250,000 is for the purpose of working and running a railway from Riviere du Loup down the St. Lawrence, and it may be that some arrangements may be made with the Grand Trunk, if considered desirable, by which the expenditure may not be necessary. Supposing the Government work it, we expect to get an equal revenue from the expenditure asked. As to miscellaneous we place it this year at \$1,100,000. During the year the whole of the Intercolonial loan cannot be used, and we ought to get \$100,000 interest on the balance not expended during the year.

On the whole, if our estimates be based on correct principles, we will have a revenue of \$21,740,000, against an estimated expenditure of \$20,826,849, or a surplus of \$913,-151. Of course there will be supplementary estimates, and other propositions which may cover a large portion of this estimated surplus, but the Government feel that they are not in a position requiring them to ask additional taxation.

Now, having dealt with this point, I trust the House will pardon me for a few moments if I refer to the future with reference to our liabilities and engagements, and our prospects of meeting those liabilities. In doing so I must again refer to the past, and I will do it in a very

few words. We have an annual surplus, after meeting all engagements and providing the necessary sinking fund, sufficient to pay the interest on a debt of \$30,000,000 more than the debt now is. We have in the present year a surplus, without taking into account the sinking fund, amounting to something like three quarters of a million. We are, however, entering upon new and increased engagements, involving a very large sum of money. We are entering upon works—we have already done so—which will require a large increase of our debt. We have \$10,000,000 to expend on the Intercolonial Railway. We have \$30,000,000 for the Canadian Pacific, and the canal system that has been accepted by the Government will involve an expenditure of at least \$20,000,000. These are serious matters, inasmuch as they add \$60,000,000 to our existing debt. Let us now see what is the annual charge involved in this matter. In the first place we have available the Imperial guarantee for £2,500,000 sterling given to us in lieu of the Fenian claims. Then we have a guarantee of £1,500,000 for the construction of the Intercolonial Railway. We have also a guarantee of £300,000 for the North West Territories, and I may state to the House that the Imperial Government has assented to the transfer of the fortifications guarantee of £1,100,000 to be expended in the enlargement and construction of our canals, and in the construction of the Pacific Railway. (Cheers.) Thus we have a total amount guaranteed of £5,400,000, or \$26,000,000, which we can obtain at an interest of four per cent. On that item alone we have, therefore, an annual charge of \$1,040,000, and on the \$34,000,000 remaining, the annual charge, at five per cent., will be \$1,700,000. For the Sinking Fund of one per cent. we require \$600,000, and for commission on interest \$27,400, making a total annual charge, when these works are completed, of \$3,367,400.

Let us now consider for a moment whether, under the circumstances, we are likely to be able to meet this liability in the future without imposing heavy burdens upon the people of this Dominion. I would like to take you with me in imagination to that period ten years hence when the great Pacific Railway shall have been completed. (Cheers.) And I hope and trust, and firmly believe, that there is too much patriotism among us to allow any personal or political consideration to interfere with the progress of such a work

as this, and I look upon its construction with as much confidence as upon any proposition made and accepted by this Parliament during the past five years. (Cheers.)

Looking first then to British Columbia, what will be the effect of the construction of the railway there? We know that the miners engaged there are now paying fourteen cents a pound for the conveyance of all descriptions of goods from Victoria to the mines; in consequence of these high charges, the miners must earn \$4 or \$5 a day to induce them to remain. These men, however, do earn that amount, and more than that amount, and, consequently, they remain there, notwithstanding the high cost of living. But I can understand, and the House will appreciate the effect that will be produced in that far off colony when the railway shall be in full operation. These miners can then live for a dollar and a half a day, and then, earning as they will do, four or five dollars, is it not reasonable to expect that there will be an influx of emigrants into that colony that will largely increase the population, the fertile valleys will be settled by industrious agriculturalists, the populations of the cities and towns will also increase largely, and there will be a corresponding increase in the revenue contributed to the Dominion. (Cheers.)

Further east we come to the North West Territory, a territory than which there is no better on this continent, a territory capable of the highest state of cultivation, the fertile lands immediately adjacent to the proposed Railway, three times the size of the State of Illinois. This being the case, is it unreasonable to expect that with railway facilities for taking in immigrants, and bringing back their produce, there will be a large influx of population, and may it not be very reasonably expected that at the expiration of the ten years we shall have another Province, or perhaps two Provinces, between Manitoba and the Rocky Mountains, the population of which will all be contributing to the Dominion Treasury.

Coming further east still, let us but have our canal system completed, our connection with the Pacific Railway at the head of Lake Superior, the North West becoming rapidly settled, the exports of the settlers passing through our canals, and the whole system of the Ontario railways completed, and the result will be that the trade of the City

of Toronto, which has doubled in five years, will be quadrupled, and the case will be the same with Hamilton, London, and other cities in the West. Such will be the direct and indirect results of these great facilities, and is it unreasonable to suppose that there will be increased ability to contribute to the revenues of the Dominion?

Passing to the Province of Quebec, with this magnificent canal system, and the improved navigation between Montreal and Quebec, drawing, also, an increased trade from the Western States, there will be nothing in the world to prevent Montreal becoming the rival of New York, and quadrupling her present trade and commerce. The case will be the same as regards the City of Quebec, for considering the public spirit and enterprise manifested by her people of late years there is little doubt she will bid high to largely increase her business.

Next we come to my own Province. With perhaps limited advantages from these public works as compared with Ontario and Quebec, she also will be ready to compete for her share of the trade coming over this extended railway communication during the winter months. We shall then have completed a railway system unequalled in any part of the world, and with the impetus which will thus be given to the trade and commerce of New Brunswick, and to her manufactures, is it not reasonable to suppose that she will contribute more largely than at present to the Treasury of the Dominion?

Passing to Nova Scotia, I have no doubt, before the expiration of ten years, her system of railways from Cape Breton to the most westerly point of the Province will be completed, and then with Halifax taking her share of the business, both winter and summer, which must come to her as the necessary result of the completion of the Inter-colonial Railway, with a portion of the ocean steamers touching there, and with the development of her vast mineral resources, will not Nova Scotia also contribute to the Dominion much more largely than at present.

And can we suppose that with all these influences, there will not be an increased revenue sufficient to meet

the interest on increased expenditure for public works?  
(Cheers.)

But supposing that all this is a vain delusion, suppose that notwithstanding this enormous expenditure, suppose that notwithstanding the completion of the Pacific Railway and the opening up of our magnificent canals, the population should not increase beyond the per centage of the past ten years. Suppose there should be no increase in the importations and in the general trade, which is supposable, but which certainly will not be realized. Let us see what our position would then be in the event of our having to fall back on increased taxation to make up deficiency. I have stated that in the last five years the average of duty collected on the imports was  $12\frac{1}{2}$  per cent. For the first six months of the current year it was not ten per cent. At the expiration of the year it will not exceed ten per cent. Suppose it became necessary to impose additional taxation on the people equal to that which has been exacted during the first five years of Confederation, by increasing the average from 10 to  $12\frac{1}{2}$  per cent. Has the taxation of the past been oppressive? Have our people felt that it was grievous and hard to bear? I think not. But let us apply that increased taxation to the imports of the present year which will probably be \$125,000,000. This would give us \$8,437,500 to meet the interest, and the sinking fund, and the commission on interest amounting altogether to \$3,367,000. Bearing in mind that during the last five years we could have borne an increased debt of \$30,000,000, we can bear \$30,000,000 more in the next ten years, without materially increasing the taxation of the people, while at the same time we are opening up a magnificent country for the millions who will pour into it, and are increasing the strength and power of this Dominion, and making it what I trust it will ever continue to be, the strong right arm of our own British Empire.

(The hon. gentleman resumed his seat amid loud and prolonged cheering.)